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Cause and cure of hard
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Philadelphia

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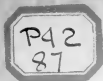
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PHILADELPHIA

SOCIAL SCIENCE ASSOCIATION.

Cause and Cure of Hard Times.

A PAPER READ BEFORE THE ABOVE ASSOCIATION
JANUARY 17TH, 1878.

BY MR. R. J. WRIGHT.

PUBLISHED BY THE
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720 LOCUST STREET, PHILADELPHIA.

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1878. *Cause and Cure of Hard Times.* By R. J. Wright.

CAUSE AND CURE OF HARD TIMES.

By R. J. WRIGHT.

(Published by request of the Philadelphia Social Science Association.)

I.—IN GENERAL.

THE subject is too extensive to be considered in all its bearings; hence, a few only of its most important points can now be noticed.

It would be desirable, if possible, to generalize all the causes of the hard times into one great cause, or one simple and comprehensive formula. A certain distinguished physician, rather of the old school, says, that "probably all diseases may be curable by water, but that physicians must not generalize and simplify too much, lest they spoil their occupation." And such a generalization of the causes of hard times would probably be—too much of art and the arts, too much of the artificial, the artistic, the artful, etc., and too little of the natural, the spontaneous, the gradual.

We find prevalent in our days, an excessive attention to town life and its accompaniments, and a corresponding excessive neglect of country life and its accompaniments; a familiar dealing with and piling up of a tangle of complications, which are above the ability of the intellectual to see through or manage, and of the laborers to understand; a supreme love of, anxiety for, enquiry into, and building upon the distant, papery, foggy, abstract ends of thoughts and of things in general, as well as of legal tenders; instead of on the solid foundations.

Thus papery, artificial feelings and modes of thought, produce or increase the general desire for gain, style and superiority, without rendering equivalents. One of Shakespeare's characters, rather exaggeratingly says of conscience: "It is turned out of all towns and cities as a dangerous thing." There concentrate innumerable gambling and cheating tangles and speculations in all sorts of commodities, and especially in land and its functions, roads and mines. Rises of value in these are among the chief causes of excessive

flow into cities, and excessive expenditures; under the delusion of relying upon imaginary and complicated systems of paper wealth.

Then follow the expenditure of *principal*, the consumption of fixed capital, under the delusion of its being income or interest. Then follow disproportionate manufactures of apparel, finery, and a multitude of luxurious, unnecessary and unserviceable articles. Thus too much capital becomes wrongly invested, and too much labor becomes wrongly directed. And when the reaction comes, this capital and labor are both thrown out of use.

2.—INFLATION AND FLUCTUATION.

Another way to state, in a simple formula of expression, the generalized cause, too much of the arts, the artificial, etc., would be simply to say, that this cause was general and compound *inflation*: inflation *not* in currency only, nor chiefly, but also in lands, in railroads, and in state, municipal, mercantile and manufacturing affairs, nearly all over the United States.

Inflation once begun, always continues until some occurrence interrupts credit; then, when the inflation has reached the height that the financial leaders feel to be trembling and risky, the contraction begins, and every step of contraction increases the distress, and the number of insolvents, until nearly all the doubtful parties go down, or until the people *believe* and feel that such a condition has been reached. Then the old course of inflation begins again, only to end in some similar occurrence as before, interrupting credit, and starting another decline, and so on. These processes have now become world-wide, and like other kinds of panics, often arise from comparatively small occasions, when the maturity of the evil has been reached.

The rebellion was only one of the circumstantial causes of the inflation,—one which fixed the "time when," and intensified it greatly. If the war had been begun and followed up on the hard money basis, times would have been so dull at first, that any number of recruits could have been obtained cheaply—say at less than one-half the cost, including bounties, supplies and material, at which they actually were obtained. The whole war could thus have been conducted easily and simply, at less than half the cost per annum, and probably concluded in less than half the time; thus making the direct cost only 1,000 million, instead of 4,000 million.

But after all that has been said, the contraction from the war inflation was not a very great cause of our present evils. For the inflation was all along *anticipated* to be only temporary; hence, we had no panic or great distress at the end of the war, although one million three hundred thousand men were discharged. And gold had come down from 185 per cent. to only 40 per cent., in nine months, and then in five years more to 12 per cent., without any violent revulsion or general hard times, such as affected the occupations and comforts of the people. The additional 12 per cent. downward could also have been reached comfortably, if business had been prudently and honestly conducted, had it not been for the subsequent speculations of the people, who would hardly believe in the permanency of, or conform gradually to, this "come down."

The gold premium, subject to the various fluctuations usual in financial values, rose gradually in two and a half years, from January 1862 to July 1864, at the rate $6\frac{1}{2}$ per cent. per month; then to the end of the war, $\frac{3}{4}$ of a year, it fell 15 per cent. per month; but then to August, 1870, $5\frac{1}{3}$ years, it fell only $\frac{4}{10}$ of 1 per cent. per month; then to the panic of 1873, $3\frac{1}{2}$ years, it fell only $\frac{2}{10}$ of one per cent. per month; then to the present time, $4\frac{1}{4}$ years, it fell only $\frac{3}{10}$ of 1 per cent. per month.

Thus, from the close of the war to the present time, the average decline of gold has only been about $\frac{1}{4}$ of one per cent. per month, *subject, as above said*, to the fluctuations "usual among financial values." Yes! but there is the evil,—there are the buried fortunes and broken merchants; for up and down the gold ran, varying 2 or 3 per cent. a month, and sometimes that much a week; and so perpetually, that business generally became almost as much a speculation in gold as the regular gold dealing was. And thus we almost became a nation of gold speculators. The great evil under this head has been fluctuation and uncertainty. Only in the midst of such fluctuation, were such things possible as the great Black Friday in gold, and the great man who engineered it.

The fluctuation that was really and chiefly the cause of our trouble, was, therefore, *not* that of the four years of war, but that of the eight years succeeding; and which even yet continues its abortive attempts, not in currency only, but in lands, railroads, municipalities, and also in mines and manufactures. The war had been merely the transient *occasion* for one of our *periodical* and wretched *general* business troubles.

Some of the principal causes, really, of the present hard times, are evidently those which operate and exhibit themselves chiefly in the two great paper and paper-stock states of the country, New York and Pennsylvania. This seems demonstrable by statistics. Thus, according to the United States census, the assessed value of total property in the whole country, from 1850 to 1860, increased 235 per cent., and from 1860 to 1870, 190 per cent. Also, in the central and older states, (postponing for a moment, New York and Pennsylvania), namely, in Massachusetts, Connecticut, Rhode Island, New Jersey and Ohio, the increase from 1850 to 1860, was 220 per cent., and from 1860 to 1870, 208 per cent. Thus showing an increased valuation of about 200 per cent. each ten years, everywhere else than in New York and Pennsylvania. But in these paper stock states, the increase was greatly different; thus, from 1850 to 1860, 175 per cent.; and from 1860 to 1870, 315 per cent. Thus the ratio of increase in New York and Pennsylvania, appears on paper as nearly twice as great from 1860 to 1870, as from 1850 to 1860. The probability, therefore, is, that this superabundant increase of ratio, so much greater than in all the adjoining states, and than in the whole union, is chiefly a *paper* increase,—chiefly a stock-broking and lot-speculating inflation of merely nominal values.

Inflations ought to be guarded against by *statute law* as carefully as depressions, because the former necessarily lead to the latter; and because the checking influence of taxation can be readily evaded of during the inflation; but not so during the depression.

However, revulsions are inseparable, alike from a credit business, and from an inflatable currency. The only way to counteract revulsions, as ensuing from the credit business, is to modify the credit business itself; not to retract all credit and confidence between man and man, but to change the *forms* of credit, and make them more permanent. Substitute, as far as possible, special or limited partnerships, instead of loans and discounts; and banks or associations as special partners, instead of so many banks of discount. Let the loan-holders of companies, be constituted into corporations, and with full power to manage their companies when interest is in default. Substitute common and preferred shares, of various kinds, in railroads and other companies, instead of the long loans. Let the form of long loans be almost exclusively reserved for national, state, and municipal uses, and to investments in individual ground

rents and real estate mortgages, which always ought to be *at long time*, or irredeemable. And impose a hindering penalty on all loans on *call*, and on bank check payments of deposits on short time, *when interest* is charged, except on the small amounts usual among the common people in their dealings with saving funds. And, in general, let *safety* of investment be sought in all ways *other* than in the claim and risk of demanding payment at *short* notice. Then there will be permanent and moderate rises in price, and not mere inflations,

3.—INADEQUATE BASES OF CURRENCY.

Many men who see at once the absurdity of such wild fluctuations in coin and currency, as occurred during the war, still ask wonderingly, is there *any true standard* of values, and if so, what is it? The answer is, the only true standard is an *ideal* one, namely, the average of all commodities; but it is available, as yet, only for thought and for judgment. This does *not* mean a given number of pounds sterling *worth* or dollars' *worth* of articles, thus being translated into coin values, as Lowe's theory provides; but it means a given amount of the articles themselves.

The very term of *expression*, as well as the unit, must be a something whose value, in the average of all articles, shall neither increase nor diminish, during the lapse of ages or generations. This is possible, only by the unit itself being made to be such a *selection* of the articles, as shall fairly represent that average, without requiring to be translated into coin expressions. And this is possible, only by a paper currency *based on* and *redeemable in* such averages. Not coin, but paper on a coin *basis*, is now satisfactory, all the world over; why then, in some future and happier age, may we not also have, instead of the commodities themselves, a commodity *basis*? If paper, then why not on the truest basis?

This theory is not old, nor merely tantamount to Lowe's and Scrope's "tabular standard of values," as Prof. Jevons seems to intimate (in *Money and the Mechanism of Exchange*, American edition, p. 328), because the tabular standards alluded to by him, absolutely require continual translation into expressions of metallic value; and, furthermore, require a legal bureau or commission to give, continually, the parities of exchange for that necessary translation. And that legal translation and determination of values, is

to take place, not previously to contracts, but at the time of the *payment*. That scheme is about on a par with the United States greenbacks; the argument being, they are perfectly good, having for a basis, all the property in the United States, both commodities and land. Yes; perfectly good for *something*, but nobody knows for *how much* of it. But my theory proposes, not generally to circulate the commodities, but only the expression of them, in terms of the sum average of the commodities, and not in terms of the coin.

Money combines three functions; first, as equivalent; second, as unit; third, as *expression*, of value. And this point, the function of *expressing* value, is too much overlooked or misunderstood by most political economists. Money in civilized commerce is absolutely needed for the very expression itself of commercial or trade values:—an idea not sufficiently manifested in the mere term, *unit* of value, which expresses measure rather than value. So, therefore, to do as Lowe does, translate average value of commodities into coin values, on every pay day, is much more than a translation. It is giving the parities of exchange in a different currency, founded on an *entirely different* basis; and thus it is fundamentally changing the basis. Let the average of commodities then be kept in mind, as the test for all other currencies.

A suggestion is sometimes made, to name coins by their weights. But what is to hinder the law power, at any time thereafter, enacting that a pound shall consist of eleven ounces instead of twelve, and so on down to five ounces, as actually has been done with the English pound sterling? But again, how would the naming settle the matter practically—unless the name also included a statement of the *fineness*, because the statutes change the fineness even more easily than the weight? Such a name would be quite inconveniently long, as well as amusing. Besides, it would be impossible to use the same name for separate coins of both gold and silver, giving weights and fineness of both in one name. To be sure, all these terms and conditions, instead of so many devices, images and mottoes, might and always ought to be, stamped upon the coins, as well as printed upon the paper currency based upon them. For instance, say, one dollar of silver, 400 grains, 970 fine.

There would then remain the question of fixing the proportion of gold to silver. For, these two metals having both been the actual media of exchange, in most civilized nations, for many ages,

it can hardly answer now, whether under the name of precedent, custom or justice, to attempt to exclude either one, or to reduce it to uses for only insignificant amounts,—at least unless with the consent of both creditor and debtor.

The original dollar was silver, and was worth 5 per cent. more, and that of Sweden and Norway, and the two Rigsdaler of Denmark, yet continue worth about 4 per cent more than our trade dollar, and might answer as a fair equivalent of silver to gold, at present. And, as our gold coins were reduced 6 per cent in 1834, when so wanted, it would only be fair now, to raise the value of the silver coin, by a just amount. At any rate, the relative value of silver would be enhanced by greatly increasing the fineness of the large coins, even if the weight were lessened to the full amount of the difference.

In order to regulate the relative values of the two metals, the following proposal might be suggested. For instance, business in mortgages and long loans, might be transacted in expressions of one metal, and common daily business be done in those of the other. And banks might, from time to time, fix their own variable relative values, in receiving deposits, paying checks, and their other financial business. Theoretically, this would afford a self-regulating ratio, entirely apart from the control of arbitrary statutes. And this is the chief use of this method, otherwise too cumbersome to be practicable.

There remains one step in this direction, for social science and statesmanship to take, namely, to devise and adopt a plan wherein there should no longer be allowed the option, by either debtor or creditor, as to which one metal payment should be made with, but in which should be used a suitable expression for *both* metals together *equally* in *each* transaction. This must be done, however, *not* as proposed by certain congressmen, who suggest a coin to consist of both metals. Such a coin would of course be undesirable; for it would be useless in the arts, until after undergoing the loss of time and the expense of smelting and separation; and would require a sale of the component not wanted, in each case. Moreover, experiments, at the U. S. Mint, show that such a coin would be scarcely distinguishable in appearance from silver.

It is truly astonishing how very close mankind can come to great truths, without even seeing them. What is really wanted is a law, making each metal, in separate coins, a legal tender for *half*

the amount of each claim or payment; thus requiring both metals to be used in equal sums of value, (but not in equal weights).* Then neither metal could ever even tend to drive the other out of circulation.

Continual fluctuations and injustice exist in the very nature of a credit business, and especially of a paper currency promising to pay the *limited* articles, gold and silver, on demand, when the paper exceeds the actual amount of coin, and when paper is issued on *discounts*. One of the immediate causes of the evil is the effort to make the expenses and profits of banking and paper currency, come out of discounts of time paper, by giving demand paper for the time notes. But the greater cause is the having a paper currency promising more of the basis than is held to pay it with; and the hope of paying is based on having other valuables to exchange for the basis. But, unfortunately, everybody happens to get to wanting the said basis at the same time. Then the basis is dear, but wants and promises are plentiful and cheap. Thus, all the arbitrary limits of proportion of specie to circulation, fail just where they are most needed, namely, in panics, devastating wars, &c.

A credit commerce, then, based upon such coin speculations and coin hopes, is really done on a credit currency. The element of credit, therefore, should somewhere be expressed in the currency, if it is to be philosophical and safe. There might, therefore, be proposed a currency convertible on demand, into bonds bearing fair coin interest, and coming due at *various* dates: so that payment in coin would always be possible, because quite gradual and easy; only a little becoming due each year. One uniform consolidated bond would not answer well, because it would make too great the fluctuations of the money market, and of the currency; whereas, in a variety of time-bonds, short and long, the average fluctuation would be less, and often would be inconsiderable, whilst the different sorts of bonds were varying greatly with reference to each other; and thus the currency would more nearly conform to the standard of all averages.

But such notes should be issued only by banks, not by governments. For the issuer of currency is the receiver of the capital thereof, and ought, therefore, to be the holder of the proceeds, not the consumer thereof.

* Between four and ten days after the reading of this paper, three different bills were introduced in Congress, embodying this principle.

The issue of government currency ought to be kept in reserve for war, or any such great emergency. If the United States had already issued its currency in ordinary times, and had had it out when the war began, the government might have almost been defeated, because of having no reserved means of raising large sums of money immediately, and without depending upon bankers or speculators. And what *now* would the government do to raise funds suddenly, if another great rebellion were to arise—the government already having out all the currency needed?

Do the labor rioters, and other malcontents South and West, see this dilemma, and clamor for greenbacks partly on that very account?

Such power by governments has rarely been exercised, without sooner or later being monstrously abused. And the temptation is entirely too great to be entrusted to *any* *supreme* power; but always and only to powers which are themselves subjects, and liable to be called to account by superior powers. Hence, neither the United States nor its individual states should ordinarily issue currency; but only certify in good faith, as was formerly done by the State of New York, to some other party's currency. For currency is a measure and test of all other things, even of government loans and government actions; and no society or institution may prescribe the test of itself.

The trouble is, our people hate to see the nation paying interest on a large debt, when some other party is issuing many millions of demand notes as currency, and thus gaining the interest thereon. But the banks reap the profits of interest on the deposits they receive. Will the government, therefore, want to receive all the deposits also? Moreover, some plan of taxation surely could be devised, which, without discouraging the banks, would give most of the profits on bank currency to the government, without making it the recipient of the capital of the currency.

Almost as much security, in the shape of bonds, should be required for the average balance of deposits, as is required for currency. And that average balance of deposits should also be subject to nearly as large a tax as currency. The argument that *then*, drafts for collection would often be taxed several times is unsound; because, it is not the gross deposits that are here proposed to be taxed, but only the average balance thereof. Thus, for instance, one day in each of ten banks, would be the same as ten days in one bank.

Furthermore, these taxes on circulation and balances of deposits, might be made on a sliding scale; so that as the currency and balances expanded above an average or moderate sum, the tax would increase, and *vice versa*. And no tax should then be imposed on bank capital nor assets, under any circumstances. This would leave more room for taxation on currency and deposits, and, at the same time, would encourage larger proportions of invested bank capital, thus lessening fluctuation as well as increasing safety. For banks should be required to have, in proportion to their issues and balance of deposits, large private capital and large assets (besides government bonds), and amply sufficient both to secure their circulation, and to pay back interest thereon in times of suspension. These assets might consist of reasonable portions of various other kinds of good securities. Convertibility, in case of common failures, would be obtained by the government bonds, whilst the other assets would constitute security, even if the government came into adversity. A double or treble security being thus obtained, confidence would be justified, even in the most trying times. A government has no more right to demand absolute trust in its financiering than any other trustee or private individual has in *his*.

As to the question of resumption, the true idea is, to make use, in moderate proportions, of *all* of the different elements that are scientifically known to contribute to the desired end; then the evils incidental to each particular means would counteract each other, and thus the totality of the evils would be reduced to a minimum.

4.—GENERAL FINANCIAL RECKLESSNESS.

All the world *feels* these hard times, nevertheless the principal, although of course not the only, *causes*, seem to be found *within the United States*. For it is quite probable that our affairs having come into great disorder, seriously affect the rest of the financial and business world.

Whether from pride, self-conceit, effeminacy, irreligion, or from whatever causes,—there is going on throughout the civilized world a gradual decadence of financial and business integrity, a speculative tendency and a reckless ambition, ever discounting the coming good to its full amount, but seldom half providing for the coming evil. Thus the business disorders of any one country, especially such an active one as this, soon transmit themselves to most of the others.

Of the 2200 million dollars of railroad bonds in the United States, one-fourth have defaulted interest; and of the 2000 million dollars in shares, three-fourths pay no dividend. In the Western states, *four-fifths* of the shares pay no dividend, because recent railroads there were built generally on *bonds* alone, scarcely anything having been paid on the shares. This was in hope that a land rise would supply the deficiency.

The building of railroads had been monstrously out of proportion to all other things ever since 1850, and would have produced a financial revulsion somewhere near 1861, if there had been no war inflation. This excessive disproportion of railroad building will appear thus: From 1850 to 1860, the increase of the total population of the country was 36 per cent.; of total agricultural products, 95 per cent.; total manufactures, 85 per cent.; all kinds of capital, 126 per cent.; railroad mileage, 190 per cent. But from 1860 to 1870 (the decade including the war), the total increase of population was only 18 per cent.; agricultural products only 20 per cent.; railroad mileage, 64 per cent. And in the *half* decade before the panic, the increase of railroad mileage was 67½ per cent., which, for a whole decade, would be at the rate of 135 per cent.

Furthermore, the Western and South Western railroad interests, tended strongly to *scatter* speculative *land-claims* everywhere, but not to encourage cultivation, or the real agricultural interests; they also tended directly to retard local interests, and home manufactures in the West, by scattering population, and thereby increasing the necessity for, and the amount of railroad operations. But unfortunately, the railroads have carried this policy to such an extreme, that they have almost killed the geese that *were* to lay the golden eggs.

This recklessness manifests itself also, say in banking; and 41 million of national bank capital have paid no dividends these last two years.

The same recklessness manifests itself also in trust and insurance companies; and very many of them fail for immense amounts, and with abounding rascality; especially in the *humane* order of life insurances and saving funds.

This recklessness manifests itself also in the mercantile world; and in the four years, from 1868 to 1871, whilst gold had fallen 5½ per cent. per annum, and the average mercantile failures had been

78 million dollars : afterwards, from 1872 to 1877, whilst gold only fell $1\frac{3}{4}$ per cent. per annum, the mercantile failures rose to the unprecedented amount of an average of 186 million per annum, for six years : and repeated pretty regularly each year also.

This recklessness manifests itself in politics, and Congress continues for several years to terrify the public creditors, by threats of legal tenders, and thus frightens them into consenting to a reduction of their interest, from 6 per cent. to 4 per cent., on 1600 million of debt, and with the chance of getting that only in depreciated silver.

It manifests itself in our various municipalities ; and we may estimate that the total of their debts, viz., of individual states, territories, towns and counties, in 1873, was about 1000 million :—of which 400 million had ceased to pay interest : of which 100 million were entirely repudiated, and of another 100 million, it was foreseen before the panic that they would not be paid without long delay and extensive litigation. Yet even now our cities continue piling up debt, as if municipal credit had no limit. New York city is already 130 million in debt ; Philadelphia, 60 million ; and in like proportion in hundreds of other cities, counties and boroughs, in the Eastern states, as well as in the South and West. From 1866 to 1876, in R. B. Porter's 130 principal cities, the total increases compare as follows : Population, 45 per cent. ; annual taxation, 75 per cent. ; assessed value of property, 80 ; *indebtedness*, 187 per cent.

In view of all this recklessness, capitalists all over the world are taking alarm, and looking forward to the future with serious apprehension.

5.—PRODUCTION NOT EXCESSIVE BUT MISDIRECTED.

Although there is a disproportionate amount of unnecessary or luxurious products, and of the machinery for making them, yet it cannot be admitted that over-production as a *totality*, nor excess of total machinery, either in the world at large, or in the United States, ought to be called a cause of these troubles. This is so, partly for the reason that the increased productiveness proportionately increases consumption ; and partly because machinery improves the nutritiveness of food, and the productiveness both of land and of manufactures, and chiefly because the quantity of food and materials consumable by each human being, is *quite limited* ; whereas the amount of refinements and other values, which ma-

chinery may add to materials, is almost or quite illimitable ; one dollar's worth of material being manufactured into thousands of dollars' worth of products. So then the proportion of machinery to human beings must ever increase. And *that*, in all ordinary circumstances, must cause a moderate, natural and continual flow of population from agriculture to manufactures, and from country to town-life. And this townward flow is so pleasant, it ever tends of itself to become excessive. Nothing can counteract it, nearly so efficiently, as abundance of first class agricultural machinery, and that density of agricultural population, without which the abundance of machinery is not profitable ; and which together, tend to make farming as pleasant and as remunerative as the "trades."

Too much machinery at certain exceptional times, namely during currency inflations, is used, it is true, in some or many manufactures. But there is still an immense field for its more extended application, on the three million farms of the United States ; as may be argued from the following statistics.

Comparing the agricultural machinery and implements, to *value* of farms in the United States, we find : 1 dollar's worth to 30 dollar's worth of farm in the Middle states ; to $26\frac{1}{2}$ dollars' worth in the Eastern states, to 23 dollars' worth in the Western and upper slave states, and to 15 dollars' worth in the nine cotton, sugar and rice states. And again, comparing to farm *acres*, there is one dollar's worth of agricultural machinery and implements, to $\frac{1}{2}$ acre in the Middle states, to $\frac{3}{8}$ acre in the Eastern states, to $\frac{9}{16}$ acre in the Western and upper slave states, and to $3\frac{3}{4}$ acres in the nine cotton, sugar and rice states. Here we observe two lines of proportions, diverging in exactly opposite directions, namely :

| | | | | |
|----------|-----------------|-------------------|------------------|------------------|
| Dollars, | 30, | $26\frac{1}{2}$, | 23, | 15, and |
| Acres, | $\frac{1}{2}$, | $\frac{3}{8}$, | $\frac{9}{16}$, | $3\frac{3}{4}$. |

Now, we argue that the average value of machines, in proportion to *value* of farms *all over the United States*, ought imperatively, even at present, to be at least *as great as* in the *South*, namely, $1\frac{6}{10}$ times what it is—thus requiring an increase of 202 million dollars' worth of machinery, and implements ; and *might* be as great in proportion to the *acres* of farms, as in the *Eastern* states, viz. : $3\frac{3}{8}$ times as great as it is ; which would be an increase of 775 million dollars' worth. Capital will seek investment ; we argue, therefore, that many million dollars, which ought to have been placed in such machinery, have been wasted in useless railroads, and other

speculative extravagances; some of which have already been exhibited under the head of General Financial Recklessness.

Again, comparing with the farming population in each of the four sections already named, we find that the amount of agricultural machinery for each person engaged in agriculture in 1870, was,—in the Middle states, \$121 worth; in the West, \$82 $\frac{6}{10}$ worth; in the East, \$66 $\frac{6}{10}$ worth, and in the South, \$24 $\frac{1}{10}$ worth. Thus the Middle states have, as 121 to 82, *i. e.* nearly 50 per cent. more than the West, in proportion to number of farmers. And even the barren Eastern states have as 66 to 24, or 2 $\frac{3}{4}$ times as great a proportion as the fertile South. Scarcely anything could show more strongly the influence of density of population in encouraging the use of agricultural machinery, and the evil of scattering population as in the South and West. Further arguments against our scatteration settlement policy will be found in the next topic to be examined.

6.—BAD POLICY WITH LAND.

The last, and one of the most important causes of hard times now to be enumerated, is a bad policy with land, producing too much of town and too little of country, and of their respective accompaniments; results just the opposite of what were expected and intended, in our liberal land grants.

The lands were, generally (and they indeed yet are) held for speculation; and *that* naturally retarded settlement by actual cultivators, and thus hindered agricultural improvements, and tended to stimulate still faster the already too great gathering of population in cities. At the same time, the long continued and successful land speculation, with a rising market, was one of the chief causes of the high rate of interest in our Western states. And this buying and holding on credit at such high rates of interest, had puffed up the lands beyond their real value even for speculation; and much higher than would justify actual cultivation to the extent required for materials needed for manufactures and food.

As showing the disproportionate deficiency of the agricultural products of late years, observe that according to the United States census,—from 1850 to 1860, whilst the total of all kinds of capital increased 126 per cent. and manufactures 85 per cent., agricultural products increased 95 per cent; but from 1860 to 1870 (the decade of the war), whilst all kinds of capital increased 86 per cent.

and manufactures 80 per cent., the agricultural products only increased 20 per cent. This deficiency of agricultural progress is owing to the lack of the needed proportion of agricultural machinery, as before said: and *that* is owing to the scatteration of the population.

The census of 1870 also shows, that, taking the whole country, the increase in nominal value of real estate in ten years was about 190 per cent., whilst that of personal was almost nothing. This shows enormous increase in the nominal value of realties, without a corresponding increase of necessary chattels. The statistics show also, that in the agricultural portions, the personals must have *decreased*, because they largely *increased* in the towns, whilst the total for the whole country was stationary.

Again, the speculative attention to lands produced the mania for *giving* them away to railroads and other parties, under the delusion of developing the said lands, whence came all the concomitant social vices, and the scatteration policy of settlement. All this leads rapidly back towards barbarism.

Saying nothing about the immense total donated by Congress to educational institutions, the quantity of lands given away to railroads by the United States down to 1873, was quite absurd for a nation two or three thousand million dollars in debt; being three hundred and thirty-four thousand square miles, or 214 million acres, equal to about 28 acres to each average family in the whole United States; and in such scattering forms,—long and narrow strips, say on an average 20 miles wide, that if in one continuous line, they would be sixteen thousand seven hundred miles long, or nearly the whole distance around the globe in their latitude.

What few settlements were made were scattered too far apart to carry with them the advantages of civilization. There was a scatteration quite suitable for Tartars, Huns, Goths and Vandals, thousands of years ago, but hardly suitable for advanced races in this age of the world. Hence, came roaming dispositions, carelessness of homes, neglect of marriage, various vices, corrupt bureaus, Indian-trading cormorants, Indian wars, "Ku Klux" life, little agricultural development or its machinery; and to real farming, that repugnance which is *uncongenial* to Americans, as we are especially a nation of agriculturists.

This grasping for chances of land speculation threatens still

further evils. The agent of President Diaz, of Mexico, now in the United States, alluding to the *present* attempts to bring on a collision between the two countries, speaks very *emphatically* of "unscrupulous land speculators." Army operations also show plenty of dangers from the speculators in *mines*. Who can say how great an influence this land grasping element may have had, in producing the Mexican war in 1846, and our Indian animosities at all times?

The spread of new settlements ought, from the first, to have been by regular processes of gradual advance, somewhat like a peace army in order of battle against the wilderness; advancing and moving in a line, extended horizontally with, and broadwise upon the wilderness, instead of like an army on the march, advancing perpendicular and endwise. Let new settlements be made next to the whole breadth of civilization, instead of next to merely some extreme point or outpost thereof. This method would carry along with it all the blessings of civilization—dairies, vegetables, fruits, multitudes of agricultural machines and implements, small towns, schools, churches, libraries, literary societies, evening parties, frequent gatherings, and but little loss of time and means in useless journeys. Then, also, small towns, being near each other, and numerous, might each pursue a different industry, and thus aid each other in *general* manufactures, much as if consolidated into one or a few large cities.

It has been estimated that three million of our people, men, women and children, are without occupation. In such times, long continued, every one says to the people: "Go out on the lands, go to farming." "Yes," say the people, "but our means are all gone. We cannot go out to the farms, much less take our families." Here they come in the duties of the national and state governments.

Let peace armies be enlisted, instead of war armies. Let the national government enroll men as settlers, regularly, for a term of years, who are to advance in proper order, adapted to the purpose of saving and producing lives, instead of destroying them. In advancing, this army rests on the farms next to it for its supplies. They are thrown out the first lines, pioneers, hunters, herdsmen and so on. Next come woodchoppers, lumbermen, road builders, house builders and the like, starting the little towns, and then working around them on every side. Next come the third lines, the farmers with their teams, their fence builders, and so on. In two years the new lines of farms, jewelled every here and there with

their thriving little towns, become the basis for a new advance in like manner, thus going regularly forward from the borders of the solid settlements. The new laid towns meanwhile, would sell, repair, and even hire out agricultural machinery, and in various ways act as the agencies for the extensive use of such implements and machinery, as isolated farmers cannot profitably employ.

The rise in value of lands would repay the cost of the army of occupation; besides, give a handsome profit both to settlers and to the government.

Although our past methods of dealing with the public lands have been unscientific and bad, yet it will not answer to abandon the settlements already made, nor in most cases, the roads already built. The only palliatives for such gigantic and irreparable evils in the mode of Western and Southern settlements, seem to be, to discourage any further continuance of such wild measures, to push the raising of live stock, especially sheep for their wool, by government encouragement; to stimulate the use of agricultural machinery; to make new centres of manufacturing in the West; to encourage the building of good common roads; to restrict the amount of *unused* land held by each different party; to encourage preëemption and land location, by *associations* of actual settlers in their corporate capacity, each corporation to consist of sufficient numbers to make an ordinarily safe government of themselves, without extra expense to the nation or state; and to drive the railroads and speculators holding immense tracts, to selling and settling their lands; which may be done by limitation, taxations, long ground-rents and various other means.

Furthermore, even our individual provinces, called states, could buy up many large tracts of unused lands, within their respective dominions, and pursue similarly regular plans of settlement. New laws could be devised to surmount all the legal difficulties, and sufficient taxes on large tracts of unoccupied lands would soon bring the owners to reasonable terms of sale. Very heavy taxes of this kind would often have the effect of compelling the speculative owners to put their lands rapidly under cultivation: and to prevent the land owners from feeling themselves oppressed, the law might provide to receive part of the land as pay for the taxes, if the owners so preferred. This they would often do, especially because the land so taken would probably be settled immediately, and thus would greatly increase the value of the remainder.

To accomplish these results, the taxes (contrary to the usual

cistom), should be heavier on unemployed than on employed land, and if five or ten per cent. should not produce the desired result, then let it be as much more as is necessary.

Then again, chartered companies could be constituted, which would gladly carry on in their own way, their settlements, either on United States lands or on State lands. But the United States government has been very remiss in this respect. Associations have met with no encouragement. The law would not recognize any except individual claimants as settlers. And yet associations are the very parties which would use the greatest amount and the most valuable kinds of agricultural machinery and implements, and would at the same time carry manufactures with them at once.

In any case of settlement, whether by nation, state or corporation, the same precaution should be taken with town lots, as with agricultural lands. The settlement of the towns should be made scientifically, with a view to their *future* uses. Lots should be allowed only in limited amounts, and as needed for immediate use.

The large increase in value of lands, could thus inure to the government, or corporation, which paid the enlisted army of settlers their wages, and furnished their supplies, for the two years before they became self-supporting. In the meantime, debt and interest would *not* quietly absorb all the settler's means, and break his spirit, but he could have his place free of debt, or nearly so; because he would get it of the government as a *gift*, or at the same profit as at present; whilst the method of settlement would make the lands and lots remunerative *immediately*: especially as the demand for agricultural machinery, could and should be vastly augmented as before said.

If the government, in proceeding by these regular settlements made under its enlistment, chose to charge *full* price for its lands, and to sell them on permanent mortgages or ground-rents, it is certain they could be made highly profitable, both to the government and to the settlers, by means of the rapid increase in value by immediate cultivation.

If sold on mortgage at 7 per cent., as they easily could have been, and settled by such methods,— the 214 million acres already given away to railroads, could have realized to the government, sufficient revenue to pay the whole interest on the national debt, at its present 4 per cent. rate.

The only *radical* cures for all our evils are scarcely *practicable*, until morality and true Social Science become much more *popular*, than they are at present.

END OF
TITLE